



## CENTRALE BANK VAN ARUBA

### Statistical News Release

Date: October 16, 2018

#### **Monetary and financial developments: Money Supply decreased in the second quarter of 2018**

##### *Money and credit*

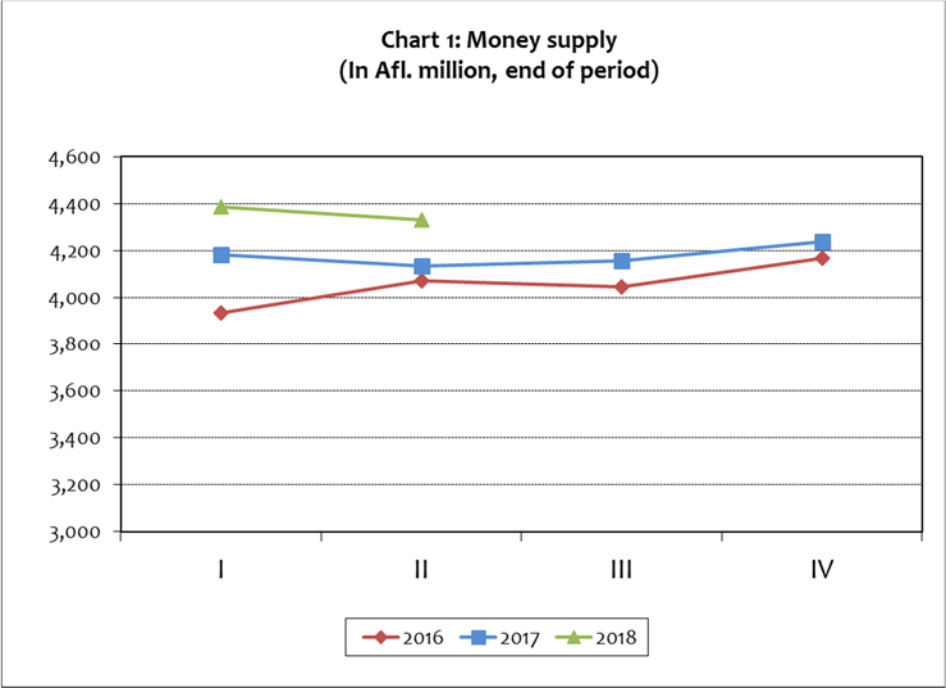
In the second quarter of 2018, the money supply contracted by Afl. 56.3 million to Afl. 4,330.7 million, compared to the first quarter of 2018 (Table 1 and Chart 1). This decline resulted from decreases in net foreign assets and net domestic assets of Afl. 46.4 million and Afl. 9.8 million, respectively.

Table 1: Monetary survey (figures in Afl. million)	2017	2018		Changes	
	Q2	Q1	Q2	Q2-18 vs Q2-17	Q2-18 vs Q1-18
<b>I. Net domestic assets</b>	<b>2,350.4</b>	<b>2,640.5</b>	<b>2,630.7</b>	<b>280.3</b>	<b>-9.8</b>
A. Domestic credit	3,357.2	3,661.2	<b>3,685.5</b>	328.3	24.3
◦ Net claims on the public sector	329.9	533.5	<b>526.3</b>	196.4	-7.2
◦ Claims on the private sector	3,027.3	3,127.7	<b>3,159.2</b>	131.9	31.5
▪ Loans to enterprises	1,271.2	1,321.5	<b>1,331.0</b>	59.8	9.5
▪ Loans to individuals	1,745.7	1,795.7	<b>1,817.6</b>	71.9	21.9
- Consumer credit	556.2	539.2	<b>542.0</b>	-14.2	2.8
- Housing mortgages	1,189.5	1,256.5	<b>1,275.5</b>	86.0	19.0
▪ Other claims by the banking sector	10.4	10.5	<b>10.6</b>	0.2	0.1
B. Non-credit-related balance sheet items	-1,006.8	-1,020.7	<b>-1,054.8</b>	-48.0	-34.1
<b>II. Net foreign assets</b>	<b>1,783.8</b>	<b>1,746.4</b>	<b>1,700.0</b>	<b>-83.8</b>	<b>-46.4</b>
<b>III. Broad money</b>	<b>4,134.2</b>	<b>4,386.9</b>	<b>4,330.7</b>	<b>196.5</b>	<b>-56.3</b>
Money	2,318.4	2,526.5	<b>2,497.3</b>	178.9	-29.2
Quasi-money	1,815.8	1,860.5	<b>1,833.4</b>	17.6	-27.0

Source: Centrale Bank van Aruba

The contraction in the domestic component of the money supply was the result of a decrease in the non-credit related balance sheet items of Afl. 34.1 million, which was largely offset by an Afl. 24.3 million rise in domestic credit. The decrease in the non-credit related balance sheet items was mainly the result of growth in “Shareholders’ equity”, “Other Liabilities” and “Accounts receivables and prepayments” and clearing transactions.

Developments in domestic credit was caused by a rise in the claims of the banking sector on the private sector (+Afl. 31.5 million) and a decline in the net claims of the banking sector on the public sector (-Afl. 7.2 million). The higher claims of the banking sector on the private sector resulted from expansions in housing mortgages (+Afl. 19.0 million), loans to enterprises (+Afl. 9.5 million), and consumer credit (+Afl. 2.8 million). The decline in the net claims of the banking sector on the public sector resulted from increases in government deposits (+Afl. 76.7 million) and gross claims (+Afl. 59.6 million) and a decrease in the development funds (-Afl. 9.8 million).



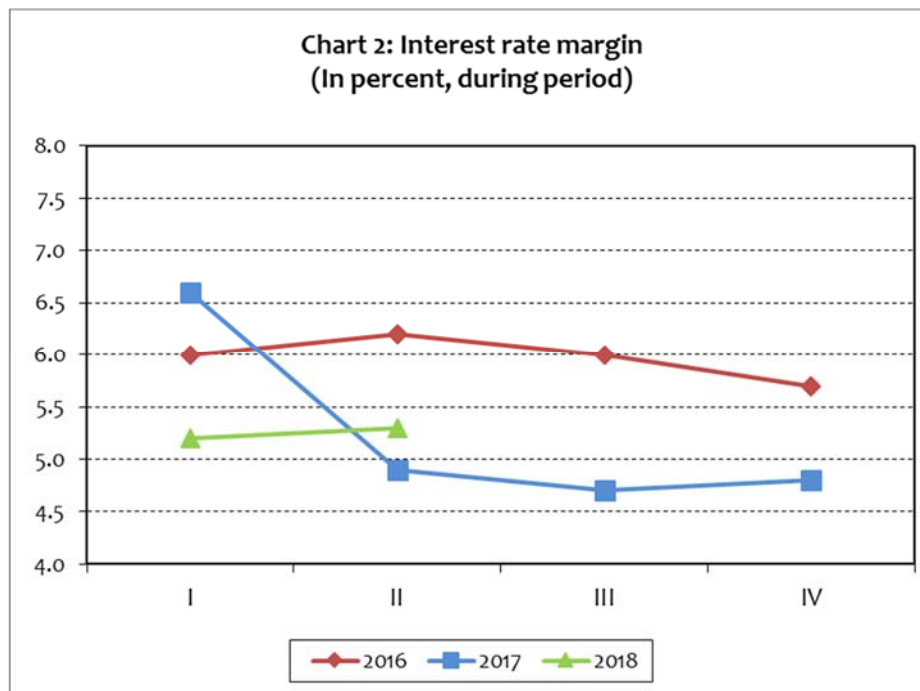
Source: Centrale Bank van Aruba

*Interest rate margin*

The interest rate margin of the commercial banks (calculated as the differential between the weighted average rate of interest paid on new loans and the weighted average rate of interest offered on new deposits) increased by 0.1 percentage point to 5.3 percent in the second quarter of 2018, when compared to the first quarter of 2018 (Table 2 and Chart 2). This resulted from an increase in the weighted average rate of interest charged on new loans of 0.1 percentage point to 6.9 percent, while the weighted average rate of interest offered on new deposits stayed the same at 1.6 percent.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2017	2018	
	Q2	Q1	Q2
<b>Weighted average rate of interest on new deposits</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>
Time deposits ≤ 12 months	1.3	1.3	1.2
Time deposits > 12 months	1.9	2.1	2.2
Savings deposits	1.6	1.7	1.3
<b>Weighted average rate of interest on new loans</b>	<b>6.4</b>	<b>6.8</b>	<b>6.9</b>
<b>Individual</b>			
Consumer credit	9.7	9.7	8.9
Housing mortgages	5.9	5.6	5.7
<b>Commercial</b>			
Commercial mortgages	6.3	5.9	6.3
Other loans - Including current accounts (overdraft) facilities	4.9	7.0	6.8
<b>Interest rate margin</b>	<b>4.9</b>	<b>5.2</b>	<b>5.3</b>

Source: Centrale Bank van Aruba



Source: Centrale Bank van Aruba

### Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions contracted by Afl. 4.8 million or 0.1 percent to Afl. 3,974.3 million, compared to the first quarter of 2018 (Table 3). This decline was the result of a decrease in net foreign assets (-Afl. 8.0 million) and a rise in domestic

claims (+Afl. 3.2 million). On the liability side, other items (net) and the insurance reserve fund went down by Afl. 21.5 million and Afl. 2.0 million, respectively, when compared to the first quarter of 2018. The pension fund provisions and “borrowings and deposits” grew by Afl. 14.2 million and Afl. 4.5 million, respectively.

Table 3: Nonmonetary financial institutions End of period	2017	2018		Changes	
	Q2	Q1	Q2	Q218 vs Q217	Q218 vs Q118
1. Net foreign assets	1,244.9	1,401.2	<b>1,393.2</b>	148.3	-8.0
2. Domestic claims	2,672.2	2,577.9	<b>2,581.1</b>	-91.1	3.2
a. Government	1,477.4	1,397.5	<b>1,416.4</b>	-61.0	18.9
b. Private sector	1,194.8	1,180.4	<b>1,164.6</b>	-30.2	-15.7
3. Total assets = total liabilities	3,917.0	3,979.1	<b>3,974.3</b>	57.3	-4.8
4. Borrowings and deposits	26.8	3.7	<b>8.2</b>	-18.6	4.5
a. Government	2.0	2.0	<b>2.0</b>	0.0	0.0
b. Other residents	24.8	1.7	<b>6.2</b>	-18.6	4.5
5. Pension fund provisions	2,953.9	3,002.2	<b>3,016.4</b>	62.5	14.2
6. Insurance reserve fund	1,113.9	1,246.2	<b>1,244.1</b>	130.2	-2.0
7. Other items, net	-177.5	-273.0	<b>-294.5</b>	-117.0	-21.5

Source: Centrale Bank van Aruba

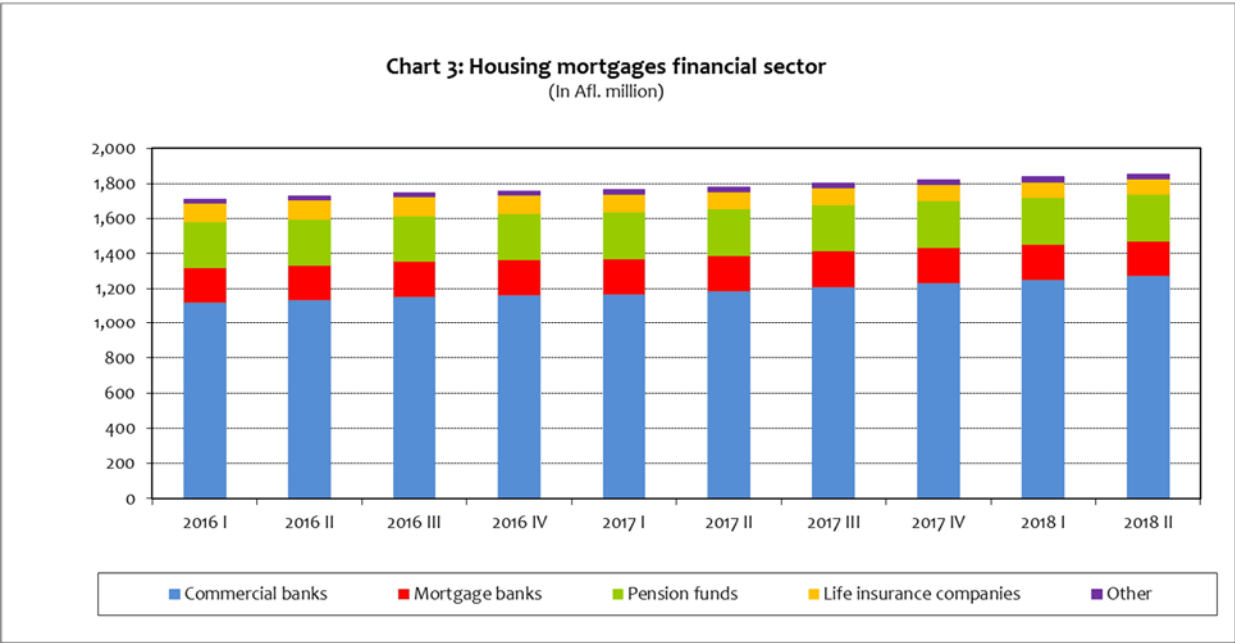
### Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 17.6 million to Afl. 1,856.5 million at the end of June 2018, compared to the end of March 2018 (Table 4 and Chart 3). This increase resulted from the growth in housing mortgage lending by the commercial banks (+Afl. 19.1 million) and pension funds (+Afl. 2.6 million). In contrast, housing mortgage lending by life insurance companies, other financial institutions and mortgage banks, decreased by Afl. 2.8 million, Afl. 1.1 million, and Afl. 0.1 million, respectively.

Table 4: Housing mortgages	2017			2018					
	Q2			Q1			Q2		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
<b>Total</b>	<b>1,779.5</b>	<b>12.1</b>	<b>100.0%</b>	<b>1,838.9</b>	<b>16.5</b>	<b>100.0%</b>	<b>1,856.5</b>	<b>17.6</b>	<b>100.0%</b>
Commercial banks	1,183.4	16.5	66.5%	1,251.1	19.1	68.0%	1,270.2	19.1	68.4%
Mortgage banks	204.0	-0.2	11.5%	201.3	-1.1	10.9%	201.2	-0.1	10.8%
Pension funds	267.4	2.5	15.0%	266.5	-0.1	14.5%	269.0	2.6	14.5%
Life Insurance Companies	98.0	-7.5	5.5%	91.7	-1.8	5.0%	88.8	-2.8	4.8%
Other	26.8	0.8	1.5%	28.4	0.4	1.5%	27.2	-1.1	1.5%

Source: Centrale Bank van Aruba

At the end of June 2018, there was a rise in the market share of the commercial banks of 1.9 percentage points, when compared to the second quarter of 2017. The market share of the life insurance companies, mortgage banks and pension funds, decreased by 0.7 percentage point, 0.7 percentage point and 0.5 percentage point, respectively.



Source: Centrale Bank van Aruba